

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04  
ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /109 W  
-----032255Z 010910 /14

R 031822Z MAR 77

FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 1221  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY THE HAGUE  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
USDEL MTN GENEVA

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR EC UK

SUBJECT: EC BUTTER EXPORT CONTROVERSY CAUSES STORM OF  
PROTEST IN UK

BEGIN SUMMARY: THE SUBSIDISED EXPORTS OF EC BUTTER TO  
SOVIET UNION AND OTHER EAST EUROPEAN COUNTRIES COULD NOT  
HAVE COME AT A WORSE (OR BETTER ACCORDING TO ONE'S POINT  
OF VIEW) TIME FOR THE FINAL PHASES OF UK TRANSITION INTO  
THE EC. VIOLENT CRITICISM OF THE PRINCIPLES OF EXPORT  
SUBSIDIES IS BEING VOICED AND ATTACKS ON CAP'S  
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PROPENSITY TO BUILD UP SURPLUSES GROW EVER LOUDER. END  
SUMMARY.

1. WHEN NEWS FIRST BROKE IN UK OF SUBSIDISED BUTTER  
EXPORTS FROM EC TO SOVIET UNION AND OTHER EAST EUROPEAN  
COUNTRIES, IT WAS FRONTPAGE HEADLINE NEWS THROUGHOUT  
BRITISH PRESS WITH SOME POPULAR TABLOID PAPERS DEVOTING

ALMOST ENTIRE FRONTPAGE TO HUGE BLACK HEADLINES. EDITORIAL COMMENT HAS BEEN MOSTLY EXTREMELY HOSTILE WITH PARTICULAR SPLEEN DIRECTED TO FACT THAT BUTTER WAS GOING TO SOVIET UNION AT VERY CHEAP PRICE. SEVERAL EDITORIALS REMARK THAT SOVIET UNION WAS BEING AIDED AND ABETTED BY EC TO PURSUE A CHEAP FOOD POLICY IN ORDER TO RELEASE RESOURCES FOR ARMS BUILD-UP. FACT THAT, UNLIKE PREVIOUS SOVIET-EC BUTTER DEAL, EXPORT PRICE WOULD HAVE BEEN NO DIFFERENT FROM EXPORT PRICE TO OTHER MARKETS HAS BEEN LARGELY IGNORED. UK WRATH CENTERS AROUND FACT THAT UK BUTTER PRICES HAVE RECENTLY RISEN SUBSTANTIALLY BECAUSE OF ENDING OF CONSUMER SUBSIDY AND ARE DUE TO RISE FURTHER APRIL 1 UNDER FURTHER PHASING OUT TRANSITION PROCESS EVEN THOUGH ANY FURTHER RISE IN EC MILK PRICE YET TO BE DETERMINED BY COUNCIL OF AGRICULTURE MINISTERS.

2. ALL MEDIA HAVE HAD FEATURES ON CAP'S SEEMINGLY UNAVOIDABLE PROPENSITY TO BUILD UP SURPLUSES, PARTICULARLY IR DAIRY SECTOR. CALLS FOR CAP REFORM AND EVEN ABOLITION OF CAP HAVE NEVER BEEN LOUDER IN UK THAN AT PRESENT. FOOD MANUFACTURERS AND DISTRIBUTORS HAVE ALSO JOINED PRESS, POLITICIANS AND CONSUMER ORGANISATIONS IN CONDEMNING BUTTER EXPORT SUBSIDIES IN PARTICULAR AND CAP SURPLUSES IN GENERAL.

3. IN COMMONS ON FEBRUARY 28, FRANK JUDD, NEWLY APOINTED MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE. MADE ROUTINE REPORT ON FORTHCOMING SCHEDULE OF EC COUNCIL OF MINISTERS' MEETINGS. BACKBENCH MP'S TOOK THE OPPORTUNITY UNCLASSIFIED

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TO HIGHLIGHT CAP SURPLUS PROBLEMS AND BUTTER EXPORT SUBSIDIES. CONSERVATIVE SHADOW SPOKESMAN ON EC AFFAIRS, URD, ASKED WHETHER AT FORTHCOMING SUMMIT MEETING, PRIME MINISTER AND OTHER HEADS OF GOVERNMENT WILL PUT THEIR WEIGHT BEHIND COMMISSION PROPOSALS TO FIX FARM PRICES AT A LEVEL LIKELY TO RULE OUT ACCUMULATION OF FUTURE SURPLUSES. JUDD REPLIED THAT MINISTER OF AGRICULTURE IN PARTICULAR AND HMG IN GENERAL WANT A BETTER USE OF RESOURCES SO THAT CAP PROVIDES EFFECTIVE SUPPORT WITHOUT IMPOSING EXCESSIVE BURDENS ON EITHER CONSUMERS OR TAX PAYERS. OTHER BACKBENCH MP'S SPOKE OUT EVEN MORE STRONGLY USING WORDS SUCH AS "OUTRAGE" AND "WRETCHED CAP". LABOUR MP WILLIAM HAMILTON SAID THE HOUSE SHOULD HAVE A FULL DEBATE ON THE CAP "TO LET OUR COLLEAGUES ON THE CONTINENT UNDERSTAND THAT WE CANNOT PUT UP WITH IT MUCH LONGER." PROMINENT CONSERVATIVE ANTI-MARKETEER NEIL MARTEN ASKED JUDD TO TELL MINISTER OF AGRICULTURE TO EXPRESS "THE NOW COMMONLY HELD VIEW THAT IT IS A WASTE OF TIME TO FIDDLE AROUND WITH REFORM OF THE CAP AND THAT

PEOPLE WANT ITS ABANDONMENT FOLLOWED BY A NATIONAL  
AGRICULTURAL POLICY."

4. MANY PRESS EDITORIALS HAVE BEEN EXTREMELY BITTER  
INCLUDING PRO-CONSERVATIVE AND USUALLY PRO-EC DAILY

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TELEGRAPH WHERE EDITORIAL SAID "THE MEANS BY WHICH THE  
COMMON MARKET SUPPORTS ITS FARMERS ARE INDEED A MEANS AND  
NOT AN END IN THEMSELVES. THEY CAN AND SHOULD CHANGE....  
.....INDEED TO SELL THE STUFF TO RUSSIA MUST SEEM  
ABSOLUTELY MAD. THE RUSSIANS ARE NOT OUR FRIENDS AND THE  
MORE CHEAP BUTTER WE SUPPLY THE MORE GUNS THEY CAN AFFORD  
TO POINT AT US." MORE SOBERLY, THE TIMES HIGHLIGHTED THE  
CONTROVERSY IN TERMS OF ISSUES WHICH THE ANTI-EC CAMP WAS  
LOOKING FOR AT THE TIME OF THE 1975 REFERENDUM NOTING

THAT OPPOSITION TO THE CAP IS MUCH SHARPER NOW THAN THEN.  
THE TIMES NOTES THAT FOOD PROCESSORS WERE AMONG THE  
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STRONGEST PRO-EC CAMPAIGNERS IN THE REFERENDUM CAMPAIGN  
AND ARE NOW IN THE FOREFRONT OF THOSE ATTACKING THE CAP.  
THE TIMES PROPOSES THAT SURPLUSES SHOULD BE DISPOSED OF  
WITHIN THE COMMUNITY EITHER AS CHEAP WELFARE FOOD TO  
SELECTIVE CONSUMER GROUPS OR BY A GENERAL REDUCTION IN  
THE RETAIL PRICE ALTHOUGH THIS WOULD MEAN CUSHIONING  
DAIRY FARMERS BY MANIPULATION OF THE SUPPORT PRICE.  
CONCLUDING, THE TIMES SAYS "THAT OF COURSE WOULD BE A  
BREACH OF ONE OF THE PRINCIPLES OF THE CAP. BUT A BREACH  
OF A BAD PRINCIPLE COULD BE A GOOD THING."

5. THE GUARDIAN TOOK A SOMEWHAT MORE ORIGINAL LINE  
CLAIMING THAT WHILE A SENSE OF GRIEVANCE IS UNDERSTAND-  
ABLE IN THE UK IT CANNOT BE JUSTIFIED. "EVERY BRITISH  
HOUSEHOLDER SHOULD BE GRATEFUL FOR THE ECCENTRICITIES OF  
BRUSSELS' ACCOUNTING.....OUR FOOD IMPORTS ARE  
STILL BASED ON THE OLD GREEN POUND RATE MAKING THEM  
CHEAP.....IT COSTS OTHER MEMBERS OF THE COMMUNITY  
BETWEEN 500 AND 600 MILLION POUNDS A YEAR TO SUBSIDISE  
THE BRITISH FOOD BILL.....BUTTER AT 56 PENCE IS  
NOT TOO DEAR WHEN IT COVERS THE COST OF THESE ADVANTAG-  
EOUS ABSURDITIES."

6. ON THE SUBJECT OF THESE ABSURDITIES (THE GREEN POUND)  
THERE WAS AN INTERESTING EXCHANGE AT QUESTION TIME IN THE  
COMMONS ON FEBRUARY 17 WHEN THE MINISTER OF AGRICULTURE,  
JOHN SILKIN, REFUTED CONSERVATIVE SUGGESTIONS THAT THE  
GOVERNMENT'S REFUSAL TO DEVALUE THE GREEN POUND AMOUNTED  
TO NATIONAL DISHONESTY. POINTING OUT THAT OF A COMMUNITY  
BUDGET OF 2,575 MILLION POUNDS. 1,400 MILLION POUNDS IS  
DEVOTED TO ITEMS THAT ARE OF NO REAL BENEFIT TO THE UK.  
HE SAID MCA'S OF 400 MILLION POUNDS SHOULD NOT BE LOOKED  
AT IN ISOLATION AND CAME OUT WITH THE STATEMENT "THE  
GREEN POUND HAPPENS TO BE A NATIONAL ASSET AND I REGARD  
IT AS IN MY TRUSTEESHIP."

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## Message Attributes

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